

We can do that. We could expand the loan forgiveness program and get teachers into low income rural and urban shortage areas, and we could do that overnight. We could fund special ed, would get money into every school district. The ones that would get the most would be those who have the most poor students, the most students that need special education, and we would have the money right where it is most needed. The money they could free up on their own they could use to hire more teachers; they could use to fix their schools.

Vocational education, we have flat-funded vocational technical education year after year. This President again flat-funded it this year, or recommended flat funding. We are passing legislation to allow more immigrants to fill the technology jobs because we do not have an educational system that is training them, and it all starts in vocational education.

Most recently, we passed in the House, it did not get action in the Senate yet, a Dollars to the Classroom program that combines 31 programs and puts the money directly back into school districts. That frees up \$700 million to \$800 million without raising taxes because it does away with Federal bureaucrats, it does away with State bureaucrats, and it puts the money in the classroom where they can hire teachers or where they can improve the classroom.

Mr. Speaker, I believe the President's goal to help education is honorable, but I think the direction he has taken is election year politics because it is a new program that he can put his name on.

I want to say, new Federal programs do not work; 1999 will not see a school constructed, 1999 will not see more teachers in the classroom, because these programs cannot work in one year.

Mr. Speaker, I believe if we are going to increase funding for education I would support that. Let us fund vocational education. Let us fund special education. Let us fund loan forgiveness for low income rural and urban shortage areas.

Mr. Speaker, it is time to get the money out where it can work, not in some new ideas created by the White House that will not work and will not help our schools across America. It will only help a few.

CREATING NEW OLD PROGRAMS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Pennsylvania (Mr. GOODLING) is recognized for 60 minutes as the designee of the majority leader.

Mr. GOODLING. Mr. Speaker, during the morning hour this morning, I asked the question, why all of the political rhetoric in the last week about education?

Make no mistake, everyone back home knows it is political rhetoric. So

why all of the political rhetoric on education in the last week?

There were those who said we need a day's debate on education. The 105th Congress, the real education record, we have had 30 days of debate on the Floor of the House about education, passed 25 major accomplishments in the area of education and job training. So why all the rhetoric?

I think there are four reasons probably. First, it is a diversionary tactic. Now, I suppose I can understand that, divert the attention from anything else, but I hate to see children used as part of that diversionary tactic.

Secondly, of course, the polls say education is a sexy issue, and so that is the thing we should talk about: education. Now, I hope my colleagues are very careful, because those very same polls say that we, the American people, distrust most of all the Federal Government's involvement in elementary-secondary education.

The American public distrusts the Federal Government's involvement in elementary-secondary education. They also distrust the States' involvement. They believe that their local elected officials, their school board members, their superintendents, their teachers, their principals and their parents know best on the local level how to bring about reform so that all will have a quality elementary-secondary education.

Then I think there is a third reason. I have always suspected from day one that this administration wants to micromanage elementary-secondary education, micromanage from D.C. It has never worked in the past, will not work now, will not work in the future, but it is certainly a goal and, again, the American public does not want that micromanagement of their elementary-secondary schools from Washington, D.C.

Fourth, and probably the major reason, pride of authorship. Every president wants a legacy and every president recently seems to want that legacy to be in the area of education. So new old programs have to be created. I say new old programs because most every program is on the book already. Just give it a new title, a new name, and somehow or another it is yours.

As I said to the White House last week, it does not matter who gets credit, as long as we are trying to provide a quality education for all students.

Let me give a good example of how all of the rhetoric about school maintenance and school building, all the rhetoric about 100,000 new teachers, can be solved by using an existing program. If someone really believes there is an elementary teacher shortage, they apparently do not spend very much time studying statistics.

There are about 150,000 elementary teachers now certified who cannot find a teaching job, and they are working in department stores, fast food restaurants, offices. In my district, depending on the school district, there

are anywhere from 50 to 200 applicants for an elementary teaching job, for every opening.

□ 2030

So what is the problem? Well, the problem is that they will not go where they are most needed, or, because of discipline problems, they give up after a short while. So in the higher education bill we did something about that. We said we will give you some loan forgiveness if you will go to center-city and teach, if you will go to rural America and teach.

I do not know how to deal with the discipline problem from the Federal level. I suppose we could send the toughest Marine we have, one to every classroom. That would not be of any value whatsoever, because they would not be allowed to discipline anyway, so it would be a waste of money.

You see, unless parents are going to discipline, there is nothing that can be done, because the public has said the school may not discipline. So I do not know how to solve that problem. But if you were to fully fund special education, let me just show you what it means in several districts.

In my district, the City of York has 49,000 people. Thirty years ago the former majority mandated, mandated, 100 percent of everything that a local school district must do in the area of special education. One hundred percent. And they were very generous. They said however, we will not send you 100 percent of the funds to do that. What they said is, we will send you 40 percent of the excess cost, 40 percent of what it costs more to educate a special needs youngster than it does to educate a regular student. Forty percent of that excess cost.

Now, in the City of York, 49,000 people, they spend \$6 million on special education; \$6 million on a 100 percent mandate from the Federal level. They have to raise almost \$4 million of that locally, a very difficult chore if you realize the tax base they have to work with.

If we would fund the 40 percent that was promised 30 years ago, they would have more than \$1 million extra every year, to reduce class size, to hire extra teachers if they need extra teachers, to repair buildings, to do everything that somebody else says we need some special program in order to do that.

Let me give you a couple of others. The special school district of St. Louis, they spend \$170 million each year to fund the 100 percent mandate from Washington, D.C. for special education. \$170 million. They have to raise \$127 million of that locally. Locally. If we were to send them their 40 percent that was promised, they would get an additional \$24 million to maintain their buildings, to build new buildings, to reduce class size, to do everything that they believe is necessary to provide a quality education for all.

If you went to West Contra Costa Unified District in California, they

spend \$25 million every year in order to fund the 100 percent mandate from Washington, D.C. They have to raise \$11 million of that locally. If we were to fund fully the promise that we made, they would get an extra \$3.5 million.

The third Congressional District in Virginia would receive an additional \$54 million each year. The Los Angeles unified school district, they spend \$600 million every year for the 100 percent federally mandated special education program. They must raise \$325 million of that locally. If we were to send the 40 percent that the former majority promised, they would get an extra \$60 million every year. You see, the program is there. All you have to do is put your money where your mouth was when you did the mandate.

Now, for twenty years as I sat in the minority I pleaded with this Congress, do what you promised you would do, because it is the one issue that is driving a local school district up the wall. They do not know how to fund our mandate.

The gentleman from Michigan (Mr. KILDEE) was the only person from the other side when they were in a very large majority that I could get to be interested at all. In the last couple of years, the gentleman from Wisconsin (Mr. OBEY) has helped. But, boy, the school districts surely owe a big thank you to the gentleman from Louisiana (Mr. LIVINGSTON) and the gentleman from Illinois (Mr. PORTER). They put an additional \$500 million in this year to help meet this mandate. They put in more than that last year. So it will be the first time that a local school district will be able to reduce their spending on special ed.

Now, what has happened in some of these areas where schools are falling down? Well, I read over the weekend, a school in New York, the principal said he has asked for eight consecutive years for money to maintain the school building, money to try to keep the school from crumbling. Not one penny came his way. I know what happens. In order to avoid a strike, I am sure that in negotiating, they gave all the maintenance money to prevent the strike.

He also said the principal before he came there had asked for many years the same question, please, where is the money to keep the school from falling down?

Well, I want to take a little time to review the speech that the President gave on Saturday, because it was a speech on education. I am sure it was very confusing to most Americans, because you would have thought, if you listened to that speech, we have not done anything in the Congress of the United States in relationship to education. And yet this Congress, more than any Congress in the history of this great Nation, has done more in the area to try to help provide quality education and quality training programs. So the President said we should be able to make real bipartisan progress on education. We have. We have.

Seven laws, they are law now, mostly in a bipartisan fashion. Higher Education Act, Special education, IDEA Act, Workforce Investment Act, Loan Forgiveness for New Teacher Act, quality teaching grants, emergency student loans, and, yes, a large bipartisan effort prohibiting Federal school tests.

We also have seven other bipartisan bills waiting for the President to sign. School nutrition, charter schools, Quality Head Start, and the administration was trying to eliminate the "quality" part. Well, there is no reason, if you are not going to have a quality education component in an early childhood program, obviously the child is not going to be successful when they get to first grade. They are not going to be reading-ready. Vocational education, community service block grant, \$500 million more for special education. A reading excellence act, all waiting for the President's signature. Fourteen pieces of legislation.

We also sent eight more, A-plus Saving Account vetoed, Dollars to the Classroom Block Grant veto threat. We want to get the money down to the classroom. Teaching testing, vetoed. Prepaid college tuition plans, veto threat. D.C. scholarships, veto. Bilingual education reform, veto threat. A school construction plan, veto threat. Safe schools Anti-gun Provision, vetoed. We passed three more from the House that never made it through the Senate. Twenty-five different pieces of legislation, most in a bipartisan fashion, and some of them for the first time ever not only bipartisan, but bicameral.

So, Mr. President, we did make real bipartisan progress on education.

In the higher education bill, it will be the lowest interest rates that students will pay in 17 years. It will be the highest Pell Grants in the history of Pell Grants. And, yes, you mentioned quality? We have a provision in there that insists that teacher training institutions prepare quality teachers for the 21st Century.

Yes, a job training bill. Yes, a Head-start bill with quality. Yes, a vocational education bill. Yes, a nutrition bill. All, all, in a bipartisan fashion.

Our Nation needs 100,000 new highly qualified teachers to reduce class size in the early grade. I have already indicated there are 150,000 out there who cannot get a teaching job. So what did we do in the higher education bill? As I indicated, we tried to encourage them with loan reduction to go into center-city, to go into rural America, where there is that need.

Yes, in special education, as I indicated, if they got their 40 percent, they could do all of the teacher-pupil reduction that they want to. They could do all of the construction work and maintenance work that they want to. But the budget that came up from the administration cut special education. It cut special education. The one place where everything that the administration wants they could do locally, if we

only sent them that special ed money, and the administration's budget cut special education.

Now, I heard on the floor from one gentleman that because their state is growing so rapidly, we really should be in there at the Federal level, getting money for teachers, money for classrooms. Guess what? Where do you think his growth is coming from? He happens to be in a right-to-work state. His people are coming from my state. My good jobs in a highly organized labor state are going to his right-to-work state.

Now, if you carry that logic to conclusion, it seems to me he should, his state, should be sending money to my state because he is taking my tax base.

A gentlewoman said she needs money again for schools and for class size reduction. I would love to have her county, her one county in my district, the highest income possibly in the United States. So, again, if you follow that to its logical conclusion, she should be sending me money, because I do not have that kind of wealth in my district.

The budget should also bring cutting edge technology to the classroom. For two years the administration has not used one penny from the trust fund to do just that. What they did manage to do is allow telephone companies to put a surtax on your long distance telephone bills. That was not part of the negotiation.

Then also we are told that we should have child literacy programs so every child will be able to read well and independently by the end of third grade. Too late. Too late. Our literacy bill that we have ready for you to sign, Mr. President, will make sure that they are ready to read and are reading in first grade. Obviously if they come to school not reading ready, then you know the end result: They either will fail first grade, and it was not the child who failed, it was the adults who failed the child, or they will be socially promoted, which will be a disaster and bring about not a physical drop out, but probably by fourth, fifth grade, a dropout in one sense of the word. So our bill does not wait until third grade. We say, they have to be reading-ready.

□ 2045

Mr. Speaker, if all of the grade programs of the 1960s would have worked the way people thought they would work, we would not have a lot of students who are in fourth grade and cannot read at a fourth grade level. We would not have a lot of students who graduate from high school that do poorly in math and science. Well, we have to admit, they did not work. And part of the problem was there was not any strength whatsoever in the education part of those early childhood programs; and, for many years, quality was missing. Baby sitting was available, child care was available, but the important part, the education component, was missed.

So, again, the American people do not want the United States Government to micromanage elementary and secondary schools. They do not want them to mandate to their elementary and secondary schools. They do not want them to interfere with the operation of their elementary and secondary schools. They realize that one cannot bring quality from top down. We have to build it from bottom up. And they know that the local parents, the local teachers, the local students and the local elected officials know far better than Washington, D.C., what is in the best interests if we want to really have quality education in their particular district. One size fits all from Washington, D.C., has never worked, will never work.

And, again, I want to emphasize the tremendous effort made in this Congress to try to do what we could do to give the local schools an opportunity to improve their own school system.

One of the things the gentleman in the chair brought to this Congress was the whole idea of getting dollars down to the classroom. Getting them beyond the bureaucracy in Washington, getting them beyond equally bureaucratic State governments, down to the classroom. That is where we make the difference, and that is what we wanted to do. And what do we get for our effort? A veto threat.

Well, that is the only way it will work. This administration has to understand, we build from the bottom up. The programs are there. We do not need to take old programs and give them a new name. I made it very clear to the White House last year, the year before and this year that if you want to be a hero, if you really want to be remembered in the area of education, do something to help us fund the 40 percent of excess costs for special education; and the local district will then be able to take their money to provide a quality education for all students.

The SPEAKER pro tempore (Mr. PITTS). Under the Speaker's announced policy of January 7, 1997, the gentleman from Iowa (Mr. LEACH) is recognized for the remainder of the majority leader's hour, approximately 35 minutes.

THE FAILURE OF LONG-TERM CAPITAL MANAGEMENT: A PRELIMINARY ASSESSMENT

The SPEAKER pro tempore. The gentleman from Iowa (Mr. LEACH) is recognized for the remainder of the Majority Leader's hour, approximately 35 minutes.

Mr. LEACH. Mr. Speaker, I rise to discuss one of the most serious and symbolic financial events of the decade: the failure and government-led rescue of America's largest and most heavily leveraged hedge fund, Long-Term Capital Management.

Dubiously enshrined in establishment economic thinking is the too-big-to-fail doctrine, the notion that gov-

ernment will intervene to save a bank in trouble if its collapse would cause major harm to the economy.

Last month, with the rescue of Long-Term Capital Management, a corollary appears to be in the making that "some financial firms are too big to liquidate too quickly." The application of the "too-big" doctrine for the first time beyond a depository institution raises troubling public policy questions.

From a social perspective, it is not clear that Long-Term Capital, or any other hedge fund, serves a sufficient social purpose to warrant government-directed protection. In one view, hedge funds provide liquidity and stability in financial markets, allowing economies to finance infrastructure and enterprises necessary to modernize. In another view, hedge funds have a *raison d'être*: They seem to be run-amok, casino-like enterprises, driven by greed with leverage bets of such huge proportions that they can control global capital markets and even jeopardize economic viability of individual sovereign States.

In this case, the country's most sophisticated banking institutions provided loans to an institution that shielded its operations in secrecy, denying lenders and their regulators data about its positions or other borrowings. The rationale was that sharing information was competitively disadvantageous to the fund. Lenders to the fund, in effect, became responsible for a kind of blind-eyed complicity and speculative actions that might in some cases prove destabilizing for the very financial system upon which banks and the public rely.

The envy of its peers, Long-Term Capital was the very paragon of modern financial engineering, with two Nobel Prize winners among its partners and Wall Street's most celebrated trader as its CEO. The fact that it failed does not mean that the science of risk management is wrong-headed; just that it is still an imperfect art in a world where the past holds lessons but provides few reliable precedents.

Hedge funds were so named because their managers tried to reduce with offsetting transactions the risks they take with investor funds. Today, the name has an ironic ring. As hedge funds have grown in the last few years, so has the venturesome nature of their investments in pursuit of higher returns. The industry numbers between 3,000 and 5,500 funds, with somewhere between \$200 billion and \$300 billion in investment capital, supporting book assets in the order of \$2 trillion. About a third of the funds are highly leveraged; in Long-Term Capital's case, about 27-to-1 when its books were solid; more so when difficulties emerged.

Large financial institutions make this leveraging possible, often with federally-insured funds. If taxpayers are to share in the risk, they or at least their protectors, bank, securities, and commodities regulators, ought to un-

derstand what stakes are involved. The profit motive is the most powerful disciplinarian of markets, but the United States Government is obligated to be on top of the issues.

There are points where politics and economics intersect; and when political institutions implode, as they have in Russia, economic consequences follow. The best and the brightest on Wall Street lost billions betting that Russia was too nuclear to fail. They did not grasp that it was too corrupt to succeed and that it did little good for the West to transfer resources to Russia's Central Bank if it simply recycled them to a private banking system which served as the money-laundering network for insiders.

No nation-state can prosper if it lacks a place where people can save their money with confidence and seek lending assistance with security. Russia, which is the landmass most similar to our own, has been kept back for most of this century because of the Big "C", Communism, and is now in a despairing state because of the little "c", corruption, which is likely to be more difficult to root out than Communism was in the first instance.

It is bewildering how, with all of the attention in recent months being given to forming a new global financial system architecture, no one is paying attention to universal values. Honesty must prevail over corruption, or no financial system will work. In fact, unless the point is made with regard to countries such as Russia that the problem is not that market economics are wanting but that corrupt market mechanisms are pervasive, the Russian people will never understand the lessons of the century. The old battleground in world affairs was Communism versus Capitalism; the new one contrasts corrupted market economies versus noncorrupted ones.

What the Russian people, and those of so many developing countries, deserve is a chance to practice free market economics under, not above, the rule of law. If attention is paid above all to establishing honest, competitive institutions of governments and finance, virtually everything else will fall into place.

From the public's perspective, it must be understood that politicians can be dangerous and that their most counterproductive weapon is protectionism. This is particularly true in finance. Any country that protects itself from foreign competition and finance injures itself and, in effect, emboldens corruption. Unilateral decisions or international agreements to open markets that are closed to Western-system financial institutions provide the best chance for corrupt systems to reform themselves. Their public will, if given a chance, lead their leaders by saving where they are best protected and borrowing where they get the most competitive terms.

In Long-Term Capital's case, the underestimation of the role of corruption in Russia and other emerging